

I-195 REDEVELOPMENT DISTRICT

MEETING OF COMMISSION

PUBLIC SESSION

JANUARY 30, 2012

The I-195 Redevelopment District (the "District") Commission met on Monday, January 30, 2012, in Public Session, beginning at 5:00 p.m., at the offices of the Rhode Island Economic Development Corporation, located at 315 Iron Horse Way, Suite 101, Providence, Rhode Island, pursuant to notice of the meeting to all Commissioners, and public notice of the meeting, a copy of which is attached hereto, as required by applicable Rhode Island law.

The following Commissioners were present and participated throughout the meeting as indicated: Chairperson Colin Kane, Dr. Barrett Bready, Ms. Barbara Hunger, Ms. Diana Johnson, Mr. John Kelly, Mr. Mark Ryan, and Mr. Michael Van Leesten.

Commissioners absent: Mr. James Bennett and Mr. Keith Stokes.

Also present were: Mr. David M. Gilden, Mr. Mike Walker, Mr. Robert Azar and, for a portion of the meeting, Mr. Thom Deller.

1. CALL TO ORDER AND OPENING REMARKS

Chairperson Kane called the meeting to order at 5:03 p.m. He stated that the meeting would focus on gaining insight from real estate and development experts regarding the condition and status of the national, regional and local real estate markets, as well as the status of institutional plans affecting the I-195 surplus lands.

2. PRESENTATION AND DISCUSSION REGARDING THE NATIONAL AND REGIONAL REAL ESTATE MARKET

Chairperson Kane introduced Bill Moylan of CBRE/New England. Mr. Moylan presented to the Commission an overview of both the national and local capital markets through the use of a PowerPoint presentation (see **Exhibit A** attached hereto). He explained that in 2011 there were \$173 billion in national investment sales volume, which is similar to the volume seen between 2003 and 2004. Mr. Moylan reported that as of fourth quarter 2011, the national value trend cap rates were approximately 5% in Boston and 8.5% to 9% in Providence for office space, approximately 5% in Boston and 5.5% to 6.5% in Providence for apartments, approximately 5% in Boston and 7% in Providence for retail, and approximately 8% in Boston and 9% in Providence for industrial. He reported that Boston is number one worldwide for innovation clusters and its attractions include transportation and education. Mr. Moylan stated that the Seaport area in Boston is also expanding rapidly, which provides a live, work and play

environment near the water. He further noted that institutional investors are returning to the Boston market overall.

Kevin Phelan, of Colliers Meredith & Grew, reported that in Boston the financing market is strong, with ten-year financing generally at rates around 4%. He stated that the apartment market is hot and retail is coming back, while condominiums continue to have financing difficulty. Mr. Phelan reported that union pension funds are investing again in real estate, as well. With respect to Providence, he noted that it has undergone substantial change and that the focus should be on “meds and eds” and making the City “people friendly”.

Frank Nelson, of Cushman & Wakefield, provided the Commission a presentation regarding medical and academic institutions in relation to real estate development through the use of a PowerPoint presentation (see **Exhibit B** attached hereto). He reported that healthcare spending is approximately 18% of national gross domestic product and that it is projected to reach 20% by 2018. Mr. Nelson highlighted the Longwood Medical/Academic Area (“Longwood”) in Boston, which consists of 215 acres and has revenues of \$5 billion. He stated that it has been an engine for office building space and has created 1,000 new jobs per year for 15 years straight. Mr. Nelson further noted that Longwood is an example of how “hyper” healthcare real estate value is created and he highlighted other Boston medical clusters that have created similar “hyper” real estate values.

3. PRESENTATION AND DISCUSSION REGARDING ACTIVITIES AND/OR PLANS OF JOHNSON & WALES UNIVERSITY, LIFESPAN, CARE NEW ENGLAND, AND BROWN UNIVERSITY IN AN AROUND THE KNOWLEDGE DISTRICT, DOWNTOWN ACTIVITY AND LOCAL MARKET CONDITIONS.

Christopher Placco, of Johnson & Wales University (“J&W”), provided the Commission a presentation regarding its “downcity” campus through the use of a PowerPoint presentation (see **Exhibit C** attached hereto). He explained J&W’s redevelopment of the area that included the building that was destroyed by the “Outlet fire”. Mr. Placco explained that J&W’s recent and future purchases of I-195 surplus land are necessary to complete the already-improved parcels owned by J&W. He stated that as J&W expands it will need more parking. Mr. Placco further explained that J&W’s plans include: a new building that will house the its School of Business and School of Technology and create linkages to green space; acquiring strips along Friendship Street to create a quadrangle space with buildings; solving faculty and staff parking issues through the creation of an 800 space parking garage; another academic building across from Chestnut and Pine Streets; and, lastly, a possible residence hall at the end of Friendship Street. He stated that the intention is to create lively streetscapes along several streets.

Stacy Paterno of Lifespan provided the Commission a presentation regarding its presence in downtown Providence through the use of a PowerPoint presentation (see **Exhibit D** attached hereto). She explained that Lifespan purchased the Coro complex

on Point Street, which has over 270,000 square feet of space, in 2001 and the Claverick building on Clifford Street in 2007. She stated that Lifespan has been in the process of converting both properties into state-of-the-art research labs. Ms. Paterno noted that corporate staff has been relocated to the Eddy Street hospital campus or new offices in South Providence. She stated that Lifespan does not have any plans regarding the I-195 surplus land due to their focus elsewhere in the City.

Gail Costa, of Care New England, provided the Commission a presentation regarding its presence in downtown Providence through the use of a PowerPoint presentation (see **Exhibit E** attached hereto). She reported that Care New England has 6,880 employees in Rhode Island. Ms. Costa reported that Care New England has buildings or parking at 200 Chestnut Street, 20 Elm Street and 300 Richmond Street in the Knowledge District. She explained that Care New England is in the process of a new ten-year facilities planning cycle, which consists of initially undertaking a facility infrastructure assessment in 2012 followed by a needs assessment and capital investment plan in 2013. Ms. Costa noted Care New England's need for a flexible space bank, particularly as it receives grants. She stated that the Knowledge District should have a vital mix of uses and also be pedestrian friendly.

Richard Spies of Brown University ("Brown") explained to the Commission that several institutions may not be sufficiently capitalized on their own and he stressed the importance of collaboration of institutions to be stronger together. He reported that Brown's intent is to grow its research capacity and support, as well as encourage partnerships among the hospitals. Mr. Spies noted that Brown must grow in order to compete, and he noted Brown's 1 million square foot expansion over the past decade. He stated that Brown intends to continue to grow in and around the Knowledge District, including through partnerships with other institutions. Michael McCormick, also from Brown, provided the Commission a presentation regarding Brown's presence in downtown Providence through the use of a PowerPoint presentation (see **Exhibit F** attached hereto). He noted that critical mass in Kendall Square in Boston is 8-10 large research buildings, while also noting the limited number of parcels of land available in the Knowledge District. Mr. McCormick reported that Brown currently has two research buildings located in the Knowledge District at 222 Richmond Street and 200 Dyer Street. He stressed the need for "place-making" and factoring in quality of life considerations. Mr. McCormick stated that it is Brown's desire for Ship and Richmond Streets to be active places.

Alden Anderson of CBRE reported that the vacancy rate in Providence is 16%, which represents approximately one million square feet. He stated that in order to build a new office building in Providence you need approximately \$55 per square foot in rent (approximately \$30-\$40 per square foot to build a small building). Mr. Anderson noted that concessions by landlords have diminished, which is a good sign for a healthy market going forward. Karl Sherry of Hayes & Sherry stated that, as buildings get filled up downtown, more activity is created. He shared with the Commission examples of recent transactions in the area and noted that two out-of-state buyers had purchased buildings on speculation. Mr. Sherry stated that, unless the owner is an institution that

will not be rent dependent, the challenge will be building new buildings that are able to obtain sufficient rents. Michael Giuttari of MG Commercial stated that existing buildings have some challenges in the Jewelry District; however, buildings are currently “hot.” Mr. Sherry described the District’s land as “user” land, as opposed to developer or speculation land. Mr. Anderson noted that the value of the land will depend on the floor area ratio. Mr. Sherry additionally noted that tenants are becoming increasingly demanding regarding availability of parking. He further identified City taxes and predictability as challenges with respect to the development of the land.

4. PRESENTATION AND DISCUSSION OF BEST PRACTICES AND EXAMPLES FROM OTHER MARKETS.

Kathryn Madden, of the Madden Planning Group, provided the Commission a presentation regarding balancing action and accountability (see **Exhibit G** attached hereto). Ms. Madden commented that “found land”, such as the I-195 surplus land, in the middle of a downtown is unique. With respect to the development of the land, she stated that the District could engage a master developer, could act as a developer itself, or could coordinate real estate transfers. Ms. Madden noted that predictable, stable pricing will be important, as well as consistent and transparent procedures. She emphasized the need for the District to be clear about its expectations, priorities and what it will require from each purchaser, such as sustainability, job creation and/or place-making requirements.

Ms. Madden explained that value can be created through marketing and the dissemination of accurate information regarding the property and the redevelopment activities. She further stressed the importance of civic improvements, through private fundraising, grants, and public funds, to create streetscapes. Ms. Madden further stated that the District could create value by providing technical advice in areas such as environmental conditions. She stated that to create demand the District should solicit requests for proposals from developers and host developer roundtables and open houses. She additionally suggested creating incentives, such as parking through public support. Ms. Madden explained the need to balance uses based on the size of the parcels and she noted that smaller parcels will be easier to sell at the outset. She stated that creating a parking strategy, such as a District parking garage, can create better design outcomes and can be used as an economic development tool. Ms. Madden stated that the District should set the bar high with respect to design, especially for the first projects, but simultaneously not ask too much from prospective buyers. She reiterated the need for transparency and predictability, as well as for the District to employ a knowledgeable staff. Ms. Madden highlighted examples of redevelopment projects in New York City, Milwaukee, Boston and East Baltimore in her presentation.

There being no further business in Public Session, upon a motion by Mr. Kelly and seconded by Ms. Hunger the meeting was adjourned at 8:03 p.m.

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David M. Gilden, Assistant Secretary